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EXECUTIVE SUMMARY

Southwestern wants to remain responsive to the needs of its customers and stakeholders by providing reliable, affordable, and environmentally sound hydroelectric power. To that end, through carefully considered restructuring, workforce realignment, and position reallocation, the entire agency has become frontline oriented and every employee is working more directly to support its mission. The restructuring, realignment, and reallocation processes have been accomplished by utilizing normal attrition, voluntary separations and buyouts. Comprehensive and careful use of these management tools has enabled Southwestern to avoid the personnel trauma invariably associated with Reductions-in-Force. We have taken the proper steps to maintain, utilize, and preserve the high level of excellence of our Human Capital Management well into the future. Careful and analytical use of succession planning techniques, innovative recruitment and retention initiatives, and a strong employee development program, will enable Southwestern to overcome any skills gaps that may result from or be affected by future retirements.

Moreover, as a result of the past ten years of planning and implementation, Southwestern is optimally positioned to move into the future. Our succession-planning program has been a valuable tool by which we have identified actual as well as possible staffing vulnerabilities, as well as potential loss of skills caused by projected retirements. A skills survey has been conducted and gaps addressed. Employee development programs are in place to develop new, or expand skills of current employees. Skills that are not readily available in Southwestern are being actively recruited. Such a proactive approach will provide adequate time to complete the corporate in-house development of new hires.

Southwestern is committed to performing our mission while supporting the goals and objectives of the Department of Energy's Strategic Plan, the National Energy Policy, and the President's Management Agenda. By continuing to invest in our current employees, emphasizing strong development programs, and aggressive recruitment and retention efforts, we will remain an agency with a strong staff of professionals dedicated to the pursuit of excellence.

Southwestern has been and continues to be proud of the quality of our Human Capital. To illustrate the progress we have made, this Human Capital Management Plan not only presents our strategies but also contains quantifiable results in areas such as gap analysis, succession planning, knowledge management, workforce diversity, reduction of management layers, improving spans of control, reduction of managers, participation in leadership programs and budget linkage.

We believe our investment processes have us well positioned to face the future.

INTRODUCTION

For more than a decade now, Southwestern's relatively small workforce has undergone many changes. During this time, the staff has been reduced from over 200 Federal Full-Time-Equivalent (FTE) employees and approximately 50 contractors, to 178 Federal FTE and 35 contractors. This 15% reduction of Federal staffing, combined with precise and carefully considered organizational restructuring (including the closure of a field office), has had the positive result of a 52% reduction of managers while improving the employee/supervisor ratio by more than 200 %.

For most of those ten plus years, Southwestern has been committed to implementing the reductions required by restructuring through attrition, voluntary separations, and buyouts. Comprehensive use of these management tools has enabled the agency to avoid any Reductions-in-Force and the negative organizational fallout frequently associated with them. Cross training, rotational assignments, formal classroom training, mentoring, and leadership development programs have all been successful in developing the skills of in-house personnel.



Although mandated reductions always have the potential to adversely affect an agency's performance of its mission, such has not been the case with Southwestern. Through innovative applications of recruitment and retention bonuses, employee gainsharing, and individual as well peer recognition, Southwestern has established and maintained an unusually low employee turnover rate. When the need to bring new

skills on board has arisen, outside recruiting has been used successfully to acquire those skills as well as contribute to workforce diversity.

Southwestern has received consistently high marks from human capital reviews conducted over the past several years. In one such review, conducted by the Office of Personnel Management, Southwestern received "straight A's" on the administrative report card. Another "review" Southwestern undergoes on a continuous basis is the ever-watchful eyes of our power sales customers. Since they ultimately pay for every dollar of our expenses, and consequently, receive the direct benefits of any efficiencies, our customers have a definite stake in us performing our mission at the "lowest cost possible" per our statutory requirement in the Flood Control Act of 1944.

Southwestern has been and continues to be proud of the quality of our human capital. We are confident that this Human Capital Management Plan illustrates that Southwestern has taken the proper steps to maintain, utilize, and preserve this high level of excellence well into the future.

ADMINISTRATOR'S MESSAGE

Southwestern Power Administration has operated for sixty years with the underlying goal of meeting its public responsibilities as provided by the Flood Control Act of 1944.

We help protect national and economic security by contributing to the diverse supply of domestically produced energy. We operate a safe and reliable transmission system. We make sure all power is marketed with preference to public bodies and cooperatives. We focus on repaying the investment of the American taxpayers in the hydropower facilities. We encourage competitive markets through open access to transmission lines. Finally, we protect the Federal facilities and the valuable information assets associated with them.

The reasons we do this are clear. First and foremost, we want to help decrease our nation's dependency on foreign energy. We do this by marketing and delivering all available hydropower and operating our system in the most effective and cost efficient manner, so that no energy is wasted. As an integral part of the interconnected power grid, we also want to promote and contribute to reliability within our region so that power outages and other interruptions are avoided. Finally, we have a duty to the American people to repay their investment in the facilities and protect our nation's assets from the hostile influences in the world.



Southwestern's most critical asset in accomplishing its mission is its outstanding workforce. Since becoming Administrator, it has been my good fortune to work with some of the most professional, dedicated, business focused, and knowledgeable people I have ever had the privilege of working with in my 28 year Federal career. The men and women of Southwestern are truly exemplary civil servants.

In order to perform our mission, it has always been a priority to maintain the professionalism, dedication, focus, and knowledge that our employees have traditionally demonstrated. Accordingly, unlike other Federal agencies that have not properly prepared themselves to cope with an aging workforce and projected retirements, Southwestern is well prepared to meet future organizational staffing needs.

Southwestern's ongoing employee training, leadership development, retention programs, and recruitment activities have produced a diverse workforce with very little turnover. In a recent review of our human capital we identified several skill areas, which might be affected by retirement driven turnover in the next 5 to 8 years. As a result, action is already underway to recruit applicants with these skills. Taking a proactive approach will give us several years to complete the corporate in-house development of the new hires.

At Southwestern, we are committed to performing our mission while supporting the goals and objectives of the Department of Energy's Strategic Plan, the National Energy Policy, and the President's Management Agenda. By continuing to invest in our current employees, emphasizing strong development programs and aggressive recruitment and retention efforts, we will remain an agency with a strong staff of professionals dedicated to the pursuit of excellence.

MISSION STATEMENT

Southwestern Power Administration's mission and goal is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives at the lowest possible rates consistent with sound business principles. This is accomplished by maximizing the use of Federal assets to repay the Federal investment while balancing power needs with the diverse interests of other water resource users, and implementing public policy.

Southwestern accomplishes this mission by:

- Marketing and delivering all available power and energy.
- Providing economic benefits to the region.
- Generating environmental benefits for the region.
- Repaying all power costs to the American taxpayer.
- Producing low-cost energy at cost-based rates.

BUSINESS VISION

Since its inception in 1943, Southwestern has been organized and structured to support the business necessities of our mission. This is one reason we have enjoyed an open and trusting relationship with our customers. They are confident we will do whatever we can to help them meet their business expectations concerning operation of the Federal hydropower system. As only one player in a technically complex and competitive industry, we have been and remain committed to conducting our operations in a manner that enables us to meet our customers' expectations for quality, costs, and schedules by using sound business practices as required by the Flood Control Act of 1944. In order to remain a viable business entity, Southwestern must continue to meet these expectations by:

- Operating the power system in the most effective and cost-efficient manner.
- Maintaining transmission system reliability.

- Operating and maintaining a safe transmission system.
- Assuring the security of Southwestern's power system, facilities, and information technology systems.
- Encouraging competitive electric power markets through open access to transmission facilities.

All businesses face uncertainty. Southwestern is no exception. Consequently, our planning processes must address numerous factors, which are extremely difficult to predict. How much rain will fall in our reservoir basins, unforeseen regulatory actions, potential reallocation of water resources to other purposes, fluctuating operation and maintenance costs, and marginally adequate program funding, impact our planning efforts. Nonetheless, they are factors Southwestern must consider in planning its business operations.

HUMAN CAPITAL VALUES

Simply stated, at Southwestern we believe our employees are our most important resource. We express this belief by treating everyone with courtesy, respect, and honesty, while recognizing individual needs. Southwestern employees are cost-conscious, team-based, empowered to meet our customers' expectations, and are committed to helping each other develop professionally.



Our organization and staffing plans are flexible. Since Southwestern is subject to the changes resulting from the dynamic deregulation and restructuring of the electric utility industry, we have to be. In 1996, Southwestern began operating under a management philosophy based on a "Most Efficient Organization" model. Known internally as "Organization 2000 Plus," it has effectively doubled the employee to supervisor ratio.

Also, as certain attrition actions and adjustments have been necessitated by changes in technology, utility practices, and workload, the number of employees involved in "front-line-work" has been increased. A recent example of this occurred when the Administrator used the retirement of a senior management official to restructure a position at the directorate level. With the elimination of this position, approximately 72% of Southwestern's workforce is in "front-line" positions. Today, Southwestern is smaller, flatter, and more directly focused on customer service and results.

To further implement the "most efficient" philosophy and be customer focused, Southwestern is performing business process reviews in each of its organizations over the next few years. The goals of these reviews will be maximum efficiency and zero

redundancy. Southwestern has implemented programs that will provide for future staffing requirements such as succession planning, leadership development, certifications, and hiring/retention of highly competitive, technical direct line positions such as power system dispatchers, engineers, hydrologists, and high-voltage linemen and electricians. Pay and performance will continue to be linked by cascading performance requirements from the SES level to all levels of the organization. Information technology training will continue to be provided to the workforce to maintain the skills required in our highly technical industry. Use of the Employee Self Service and the Corporate Human Resources Information Management System paperless personnel processing system will be increased. Future use of technology will include workflow processes with electronic signatures and electronic invoicing to customers. Southwestern will meet the challenge of increasing power demands of the future with the most efficient, effective workforce and latest technology possible.

Even though as the result of our concerted efforts, we believe our current structure is near optimum, as attrition inevitably occurs, Southwestern will evaluate each opportunity to determine if further adjustments make good business sense. Such adjustments, if called for, will be made in a manner that assures our human capital is invested wisely!

WORKFORCE PLAN

A description of the various elements of Southwestern's human capital strategy is detailed in the following sections.

SKILLS ANALYSIS

In Fiscal Year 2001 Southwestern completed a Workforce Analysis. The analysis served a dual purpose. Not only did it identify the essential employee skills and competencies necessary for the accomplishment of the goals and objectives of our mission, it further identified the skills and competencies currently possessed by our workforce. The analysis has been instrumental in allowing Southwestern to determine its current strengths and predict its future needs pertaining to each occupation in the agency.

Skills analysis is an ongoing process, which includes the elements listed below:

- Occupation skills and competencies critical to mission accomplishment are included in strategic planning and performance plans.
- Workload studies are conducted and analyzed for trends.
- Skills and competencies for mission critical occupations are determined in accordance with applicable professional and legal standards.

- Data analysis includes comprehensive workforce demographics. This involves the size and distribution of our workforce by grade, series, geographic location, pay plan, average age, average grade, potential retirements, and separations.
- Vacant positions are reviewed for current and future agency needs, projected workload growth, critical business needs and technology enhancements.

GAP ANALYSIS

Gap analysis is critical to continuing operating efficiency and is an ongoing process at Southwestern. This is due in part to the nature of the electric utility industry, but more specifically to our mission statement, which pledges us to market and deliver Federally, generated hydropower at the lowest possible rates consistent with sound business principles. Our customers take this pledge seriously and hold us to it. They constantly review our actions and insist that we operate as economically and efficiently as we possibly can. Although this requirement is constant, the functions, which uphold our mission, are extremely fluid due to an ever-changing industry and the additional rules and regulations resulting from such changes.



Once a year, sometimes even more frequently, Southwestern's Administrator leads the management team in an analytical exercise, which profiles the agency's workforce. Consideration is given to both Federal and contractor FTE and other factors which impact the ability to accomplish our mission. The exercise projects the impact of

foreseeable changes while focusing on the economy, efficiency, and reliability of our operations. Some results of our gap analysis are listed below:

- In 1991, an analysis determined that six additional staff would be required to accomplish the desired level of "right of way" clearing. It was further determined that that it would be most economically beneficial to use Federal employees. When a request for the additional FTE was denied, management determined to utilize attrition to recover the costs of the needed FTE.
- In 1996, Federal Economic Regulatory Commission (FERC) Rules 888 & 889 identified mandatory skills that had not been previously associated with or assigned to classified positions. Increased use of automated facilities and equipment to implement new programs springing from the FERC orders identified

the need to create additional Information Technology (IT) positions. The positions needed to accomplish the newly identified tasks were classified as “Marketer”, “Scheduler”, and additional “System Dispatcher” and computer related jobs.

- In 2001, Southwestern determined that matters pertaining to physical security could be handled by increasing the responsibilities of current staff. However, the increasing demands of cyber security demanded additional staff in the IT area.
- In 2003 an analysis of retirement eligibility and other management considerations indicated the need to fill several professional engineering and operations staff in the Office of Corporate Operations as well as two Contracting Officers in the Office of Corporate Facilities Service.

Due at least in part to attrition (11 employees opted to retire with incentives in FY 2004), gap analysis will continue to be an important element of Southwestern’s Human Capital Management program. The evolution of Regional Transmission Organizations and the continuing automation of industry practices and programs have the potential to significantly impact Southwestern’s staffing levels. The tentative and fluctuating nature of the electric utility industry emphasizes the necessity of continual analysis and adjustments in Southwestern’s staffing practices.

ADDRESS GAPS

In 1996, a comprehensive analysis of Southwestern’s organizational structure, referred to as “Organization 2000 Plus,” was accomplished. One of the results of that analysis was the determination that an agency-wide restructuring would be required. This determination was driven by the need to create more “frontline” positions and the provision of the FTE to support them. A portion of that FTE was obtained by closing one of Southwestern’s field offices and combining its responsibilities with another existing field office. Normal employee attrition was also employed to provide the needed FTE, with the positions assigned to the “frontline” as they became vacant.



More recently, within the past several years, observation and experience has shown that the utilities with which we do business were increasing the use of professional engineers in operational functions. In the past it had been more common to employ technical and business backgrounds to perform those functions.

Management decided it would be advantageous to begin placing employees with engineering backgrounds in those type positions. Moreover, with fully two thirds of the staff in the Office of Corporate Operations having attained the age of 50, or higher, it was determined that additional staff should be employed to facilitate the transfer of critical knowledge and experience.

In addition to recruiting the necessary people, gaps in the skills and competencies essential to mission accomplishment are addressed through Southwestern's training program. The program is designed to enhance competencies, which tie directly to organizational objectives and strategies. Competency levels are assessed and employees are trained in specific job-related skills based on skills gaps that need to be addressed. A training needs assessment is conducted annually. It addresses the organizational, occupational, and individual aspects of skills gaps and uses the results to develop, enhance, and/or redirect the training program. Annual performance appraisals are also used to determine individual development needs and consequent program formulation.

Furthermore, each Southwestern employee and supervisor prepares an Individual Development Plan tailored to his or her specific training needs. These individual plans interface with the agency's training plan to address the skills and competency gaps in a corrective manner.

SUCCESSION PLAN

In 2003, Southwestern finalized a formal management succession plan that included a review of current and future leadership needs with respect to strategic program planning. This plan identifies incumbents in management positions, determines possible retirement dates and projects the availability of well-qualified replacements.

Several years ago Southwestern began a formalized Leadership Enhancement Program designed to identify employees with high leadership potential and provide a yearlong schedule of on and off-site training for management qualifications. Ten employees have participated in the Leadership Enhancement Program. Moreover, in FY 2002 Southwestern developed a formalized mentoring program, which was modeled on the DOE program. Four employees recently completed the yearlong mentoring program and more are planned in the near future.



Southwestern has also taken advantage of succession training opportunities offered by other sources. Our employees have participated in OPM development programs such as their Women's Executive Leadership

Program and their New Leader Program.

Succession planning is directly linked to our strategic plan as well as our annual training plan, individual development plans, formal and informal training, and cross training assignments. Some of its continuing elements are presented below:

- Leadership development strategy is tied to workforce analysis and strategic planning.
- Documented leadership competencies are tied to Executive Core Qualifications.
- Documented and communicated leadership skill training program includes all levels of supervisors, managers, and potential leaders.
- Individual Development Plans for leaders and managers include formal and informal training.
- Utilization and impact of leadership development programs are measured and analyzed.
- Agency policy and methodology for managing the development of high potential employees are documented.
- Measures of success are tracked and documented.
- The percentage of women and minorities in career ladder positions is tracked and assessed.
- Continual analysis of workforce demographics contributes to succession planning.

KNOWLEDGE MANAGEMENT PLAN

Southwestern's strategy for providing tools for knowledge management is to maximize the capabilities of business systems to improve processes and provide greater efficiency. Information technologies have been installed and an electronic document management and reporting system that enables and facilitates our teamwork philosophy is being upgraded. These technologies include enterprise systems, which provide comprehensive support for agency operations and are in consonance with the DOE Enterprise Architecture Program designed to ensure compliance with OMB circular A-130 and the Clinger Cohen Act.



Whenever practical and cost-efficient, Southwestern makes prolific use of commercial off-the-shelf technologies. The Oracle Financial Program is one example. It supports the entire organization and includes financial, purchasing, fixed assets, inventory, and project applications. Oracle has improved day-to-day coordination among

employees in different functional areas, and, thereby contributed significantly to task accomplishment efficiencies.

In early 2001, Southwestern designed and cyber-published an agency Intranet. Available to all employees, the Intranet is a useful resource for information dissemination, electronic forms, directives, and a help desk for resolution of technical problems. As a result of considerable employee usage and input, the Intranet is currently in the process of being upgraded and improved.

Continuous process improvement reviews are used to establish baselines for both operations and documentation. These reviews identify areas where efficiencies can be improved or introduced, where processes may be modified or eliminated, or even where a major organizational overhaul may be required. Consequently, all sectors of the agency involved in the reviews share a common knowledge base.

Use of commercial off-the-shelf technologies has had other positive results for Southwestern's Knowledge Management Program. Both managers and non-supervisory personnel have access to programs and tools, which share institutional knowledge. Agency leaders embrace, promote, and model the use of programs and tools, which share institutional knowledge, and alternative collaborative means of sharing corporate knowledge are encouraged and promoted throughout all facets of agency operations.

As an integral part of Southwestern's Knowledge Management Program, employees are encouraged to make the best use of information technology to perform their work and to gather and share knowledge while doing so. Toward that end, we have a goal of replacing 25% of installed personnel computer hardware each year. Training to ensure technical proficiency or refreshment is conducted in conjunction with computer replacement/upgrades. Moreover, the latest learning technologies and other alternative learning strategies are employed to address the training and development needs of our workforce. We assess e-learning opportunities available to government employees and integrate them into our training programs where appropriate. To facilitate e-learning opportunities for our workforce, we maintain the necessary technology infrastructure.



In addition to the agency's Intranet, Southwestern employees use the Internet to access a variety of information to accomplish mission requirements and to interact with other organizations. Video conferencing and access on personal computers to outside resources such as the North American Electric Reliability Council, the Southwest Power Pool, and the Midwest Independent Transmission System Operator, are used frequently to facilitate information exchange and coordinate activities. Southwestern supports DOE's efforts to keep up with "state-of-the-art" techniques in knowledge management and attends the meetings of DOE's Knowledge Management Working Group.

INTEGRATING DIVERSITY

Southwestern values and emphasizes diversity in all aspects of its operations. Although Southwestern is a small Federal agency, minority and female employees occupy managerial, professional, and other positions throughout the organization. Any under-representation in the workforce is addressed and analyzed in our Affirmative Action Plan, which is reviewed and updated annually. When a vacant position is filled, selection officials are required to review the affirmative action goals, which are provided in the selection packets. Before becoming official, each selection is reviewed by Senior Management and the EEO Diversity Manager to ensure fair and equitable hiring practices.

Our Affirmative Action Plan monitors the use of competitive and non-competitive appointments and promotions, temporary appointments, conversions and other pertinent personnel actions. We maintain a diversity database, which includes a breakdown by race/national origin and gender. This database is used to ensure that our Human Capital Management Plan is maintained in compliance with merit system principles and scrupulously avoids any prohibited personnel practices. (See Exhibit 1, Diversity Profile on page 19).

Some of Southwestern's significant events and accomplishments in the area of workforce diversity are:

- Southwestern recruits at Historically Black Colleges and Universities (HBCU) and welcomes applications from all citizens. In 2001, Southwestern's recruiting efforts at HBCUs resulted in the entry-level hire of an African-American from Valley State College in Georgia.
- Each year, Southwestern celebrates the diversity of its workforce with appropriate special emphasis days.

- In 2000, a minority female was selected for the position of Director, Division of Information Technology. The same year, another minority female was selected for an Information Technology Specialist position. The African-American Program Committee presented a special program, which featured Mr. Hannibal Johnson, the distinguished author of “Black Wall Street.” Mr. Johnson’s presentation emphasized the strength and courage of Tulsa’s Black citizens as personified in their rebuilding of Tulsa’s Greenwood District.
- In 2002, a current female employee was selected for a one-year developmental assignment as Director, Division of Financial Management; a Native American was selected to serve on the Senior Management Team; a minority female was selected for a professional position; Native American Jack Gladstone, an Indian singer, song writer, and story teller from the Blackfoot tribe, entertained and informed Southwestern employees at the annual EEO Special Emphasis Program.
- In 2003, a female was selected for the position of Director, Division of Acquisition Management; a minority female was selected to be the agency’s Budget Officer; one female and one African-American were selected for professional positions; a minority female IT Specialist presented an EEO Special Emphasis Program regarding Southwestern’s Asian and Pacific Islander program.
- In FY 2004, Southwestern conducted outreach efforts in the Hispanic community and at universities and community colleges by building bridges for future Hispanic recruitment efforts.
- In 2004, and into a five year planning horizon, Southwestern will continue to persevere in efforts similar to those emphasized above.

REDUCING MANAGEMENT LAYERS

Southwestern has, through reorganization efforts, significantly reduced management layers and increased spans of control. Reducing time in the decision-making process, Southwestern places appropriate authority in the people nearest a problem. Allowing these people to achieve solutions has met and exceeded our customers’ needs and expectations.

In FY 1993, Southwestern had a total of six organizational layers. In FY 1995, Southwestern conducted a streamlining initiative, which reduced formal layers in remote field sites from six down to four. This reduction of organizational layers was facilitated by organizational restructuring, empowering front line employees, and eliminating unnecessary supervisory positions. By FY 2001, further efforts have resulted in headquarters employees operating under three layers with only Operations and Maintenance employees who are located at remote field locations, operating under four layers. Southwestern’s internal structure involves effectively only two layers of management in the decision making chain with the Administrator and Senior Staff

(Assistant Administrators and General Counsel) as one layer and the Division Directors and front line supervisors (in the field only) as the second layer.



Timely decision-making is a way of life when marketing and reliably delivering a product like hydroelectric power to a demanding customer base. Southwestern's statutory authority requires operating according to sound business principles. Southwestern's Administrator acts for the Secretary under the Department of Energy Organization Act to operate a separate and distinct organizational

entity in the region the agency serves. As such, he has been delegated significant authority and responsibility to function with independent judgment. Some of these delegated functions include wide discretion in marketing Federal hydropower, procurement and contracting activity, personnel authority, real estate acquisition authority, and financial authority.

During the past decade, Southwestern has been engaged in a concentrated effort to empower its staff to make decisions and to delegate decision-making authority to the lowest possible level in the organization. As a result, the effective number of decision-making layers has been reduced to the two as described above. The Administrator reports to the Deputy Secretary, as specified by Secretary Abraham in his confirmation hearing before Congress. This arrangement provides direct, high-level oversight of the power-marketing program and effectively places many front-line employees at Southwestern no more than five levels away from the Secretary.

IMPROVING SPANS OF CONTROL

Improving spans of control has been a primary streamlining objective at Southwestern since FY 1994. Even though Southwestern's small organizational size and multiple specialized activities, has made this rather difficult, the agency has used reorganizations and employee buyouts to reduce the number of supervisors and, thereby, increase spans of control. Furthermore, Southwestern's Division Directors are all working managers/supervisors in specialized functional areas. For example, the Corporate Operations area involves the distinct and unique functions of engineering and planning; scheduling and operations; customer service (power sales contracts), rates and repayment, information technology, and financial management and budget. Increasing the level of difficulty is that costs savings, rate stabilization efforts, and budget constraints over the past six years have led to a decrease of 25 FTE. This caused the ratio of supervisors to employees to decline slightly over time after significant initial increases.



From FY 1994 through FY 1996, the span of control increased due to a major reorganization and streamlining initiative from 1:3.7 to 1:7.9. The supervisor to employee ratio reached 1:10 in July 1995 (per DOE's Workplace Re-invention Tracking Process) due to Southwestern's specific reorganization and streamlining initiatives and the monthly variation in supervisors and employees aboard. This occurred prior to implementation of the agency's staff reduction plan. Over the

next five years, even with Southwestern's planned efforts to reduce the number of supervisors, the 10% decrease in overall staffing caused the span of control ratio to decrease only slightly to 1:7.4. For this reason, we believe the span of control ratio does not truly represent an accurate picture of Southwestern's managerial effectiveness.

Nonetheless, following its initial efforts which reduced the number of supervisors from 43 to 22 and the number of employees from 203 to 195, Southwestern takes pride in its accomplishments resulting from the Organization 2000 initiative. Some of them are presented below:

- In FY 1996, when the initiative began, there were 22 supervisors and 195 employees for a span of control of 1:7.9.
- From FY 1997 to FY 2001, the figures became 21 supervisors and 178 employees for a span of control of 1:7.4.
- In FY 2002, a managerial employee retired and the position was not refilled. With 20 supervisors and 178 employees the span of control became 1:7.9.
- In FY 2003, the span of control remained constant at 1:7.9.

For FY 2004 and the next five years, each personnel action will be individually evaluated to determine its impact on the agency's span of control.

REDUCING NUMBER OF MANAGERS

Many factors affect Southwestern's ability to reduce the number of managerial positions in its workforce. Opportunities to accomplish reductions are to a great extent determined by retirements and other forms of personnel attrition. As such opportunities occur, Southwestern will analyze each occurrence and strive to maintain its number of managerial positions at no more than 20. Barring any significant mission changes, our analyses have indicated that the number of managers needed for the

agency to operate most efficiently will remain at 20. Consequently, for the next five years, 20 managerial positions will be the organizational target for Southwestern.

PARTICIPATE IN DOE LEADERSHIP PROGRAMS



Many of Southwestern's supervisors and managers have been in leadership positions for many years and have completed supervisory and managerial training courses presented by DOE. Employees who have been more recently selected for supervisory and managerial positions have held leadership jobs in other Federal agencies and were all trained in management skills. DOE's on-line training service has

been used to complete managerial training also.

Based on an analysis of the experiences of the four Mentoring Program participants, adjustments will be made and an improved version of the mentoring program will be implemented early in CY 2004.

PERFORMANCE MEASUREMENT

In the final analysis, any measurement of Southwestern's performance must be framed in terms of how well we do our job. In turn, how well we do our job will be reflected in the level of confidence that our customers have in us. Customer confidence is measured on a continuing basis through our day-to-day contacts with them. Additionally, we traditionally use several other yardsticks to measure customer confidence. Every year the Southwestern Power Resources Association (SPRA) an organization composed of Southwestern customers, holds an annual meeting to address, among other things, how well we have satisfied our customers. Since our operating expenses are reflected in the rates we charge those customers for the hydroelectric power we market to them, they have a definite interest in keeping a close eye on the economy and efficiency of our operations.



Another way we measure our customers' satisfaction with Southwestern is the use of customer survey mailings. Averaging a survey every other year, we take the responses quite seriously and any comments of dissatisfaction or suggestions for

improvement are factored into and addressed by our self-analysis process. The most recent customer survey was conducted in 2002 and indicated a very high degree of customer satisfaction with our operations.

We believe that our performance, defined as how well we do our job, is the keystone in the arch of our agency's operations. And, even though the keystone is the critical element which holds the arch of Southwestern's operations together, it cannot function without supporting elements, i.e., the other pieces, or blocks, which are integral to any arch's structural success. Benchmarking the level of success of these supporting elements is indicative of the important role they play and critical in measuring the overall effectiveness of the organization. Some of those measurements are presented below:

- FTE is closely monitored and held to the minimum considered necessary for successful operation.
- Average grade level of the agency, an indicator of operating expense, is kept as low as practical, commensurate with successful operation.
- Supervisor to employee ratio will be kept at least at the current level while taking advantage of every opportunity to improve it.
- Diversity in the workforce will be continually monitored to ensure against underrepresentation. Any underrepresentation will be addressed positively.
- Recruitment actions will be monitored and measured in terms of timeliness, and success.
- Individual Development Plans will be reviewed annually to ensure their compatibility with the agency's budget and training plan and determine how successfully they interface with and contribute to the accomplishment of Southwestern's mission.
- At the end of each fiscal year, the agency's training plan will be evaluated in terms of training appropriateness, training costs, and percentage of completion.
- Succession planning will be evaluated in terms of how successful it was; did a critical position present unusual difficulties in filling the vacancy; how long did it take to fill; and was the new incumbent fully qualified.

Southwestern's Human Capital Management Plan is a living document. In order for it to remain relevant and effective in these times of rapidly changing philosophies and requirements, it will be continually reviewed and revised as necessary. The success of the Plan will itself be measured in terms of how well it contributes to mission accomplishment.

BUDGET LINKAGE

Southwestern realizes that the success of its Human Capital Management Plan is inextricably linked with careful planning and administration of its budget. This linkage is manifested in our painstaking planning to assure that funds are available and allocated properly to support the elements of the plan. Among those elements, when appropriate, are Voluntary Separation Incentives (VSI), recruitment bonuses, retention pay, and advanced in-hire rates to improve and maintain staffing for both critical and hard-to-fill positions. FY 2004 saw a total of 11 retirement eligible employees accept the VSI. Careful management of our budget assured that sufficient funds were available to implement the VSI, and will be available to recruit appropriate replacements. Other elements are special emphasis programs for minority and handicapped recruitment, cross training and mentoring assignments, and a carefully monitored agency training program.

Recently, Southwestern completed the process of designing and implementing a revised employee performance measurement plan. This plan is based on the “cascading” concept and every employee is now evaluated on how his or her performance has contributed to the agency’s mission as it is defined in the Administrator’s performance measures which are, in turn, linked to the President’s Management Agenda. Monetary awards for commensurate performance in this cascading system are part and parcel of Southwestern’s philosophy on Human Capital Management. With a direct bearing on employee morale and productivity, it is a critical component of our budget planning and administration.

Southwestern’s Power Plan for FY 2006 – FY2010 outlines the strategies and outputs of the performance budgets for those years. The Performance Plan focuses on the performance of two business lines “Market” and “Deliver” hydroelectric power to customers. In performing these business lines over the next five years, Southwestern’s funding estimates assure that a well qualified and trained staff and resources are available for the future.

Southwestern has metaphorically compared its Human Capital performance to a keystone. Even though other blocks support it, the keystone is the critical component of an arch. In that same metaphoric sense, budget administration can be compared to the mortar that ties all of the elements of an arch together and thereby permits its structural integrity and success. Without mortar, the individual blocks would not work together and function as an arch. Similarly, without a carefully crafted budget to tie them together, the individual elements of Southwestern’s Human Capital Management Plan would not work successfully.

Exhibit 1

SOUTHWESTERN POWER ADMINISTRATION								
DIVERSITY PROFILE FY 2000 - 2004								
Fiscal Year	Total Labor Force	Male	Female	White	Hispanic	Black	Native American	Asian
2000	177	135	42	140	2	9	25	1
2001	178	135	43	143	2	8	24	1
2002	174	130	44	140	2	9	22	1
2003	174	128	46	146	1	8	17	2
* 2004	175	127	48	147	1	8	17	2
* Data as of 7/31/04								